Ms. Andrews;

We have been trying to place, a series of 2MW to 3MW facilities with commercial and institutional lenders for the last three years.

While it is true the major cost of solar panel installation has been reduced, it is clear to us that the program cannot understand the ramifications of consistently changing the SREC Dynamic. As with energy policy from the 80's on, financial entities are leery of trusting any revenue to pay off debt, that is dependent on long term government assistance.

History indicates that energy policy and programs are constantly tinkered with, modified or eliminated. While that is the prerogative of the program manager for the state/entity, it is not Consistent with financial concepts and formats that depend on long term revenue sources to pay for long term notes -debt. A 5-10M dollar installation will depend on some debt for finance.

In the last two years - the state has reduced the SREC program the minute they thought decreasing installation values could generate profits above an acceptable range. It is the clear that risk Is not regarded with favor, even though solar programs require significant risk investments. Equity investment for any commercial venture requires 15 -25% down – no different than a car or house. The risk or use of those funds to generate profit; the risk competes with other investments. In this economy, anyone investing millions in cash wants to make solid return. Profit based on risk should not be encouraged from one side of the policy mouth and then disregarded when the elements turn in the favor of the investor. Policy should embrace those willing to advance the risk based opportunity and the state incentivized installation of solar. Twice in three years, the opposite has occurred and the state has immediately de-incentivized justifying it by saying installation costs are down so we need to reduce the SREC value.

The incentive to keep trying to bring to market a new product which is not highly profitable versus other investments is challenging as the commercial debt markets - like to lend on what they understand. Solar installs of size are new and lenders are hesitant to incur risk in anything new. SREC's twice in three years have been tinkered, proving out the hesitancy of the financial community to extend any debt and support anything dependant on unfixed revenue programs. Clearly, the department has not seen the volume of installations hoped for or forecast. Debt finance is the key, and the myopic view that the program is this or that, is not the key – its providing a stable lending platform that will allow lenders to supply capital and count on the revenues of the SREC program.

Understand that the investment dollars are competing with commercial real estate and other ventures. Finance groups need to see excellent returns in the down economy not something marginal or they will not consider the opportunity competitive – particularly in this market where PPAs are not substantial enough to support debt and equity returns alone for any margin.

People that say – oh solar its different! That is not the case, clearly whomever says that has not tried to interest or educated the financier.
Lenders are in the business of lending only to programs that return consistent lower risk long term <u>profits</u>.
We would recommend the opposite approach. Incentivize the program to draw development here. Stand up for the people, by forcing the 55 cent program to be stable over an unlimited 10 year allotment - a basis is created then to allow supply and demand forces to

Work in a ten year window and get installations done. Allow development to flourish and take advantage of the increasing technology and decreasing costs – to be creative.
The further modification suggested weakens the opportunity to recover investment.

Installation of solar does not affect the rate payer as it is such a small increment of the overall power sources used.
In order to understand the finance, one must understand that the SREC is <u>now disregarded as a revenue source</u>, effectively, it cannot be considered as a stabilized instrument for debt repayment.
Solar is still more expensive then wind to install, and as the revenue source used to incentivize the production of it potentially shrinks again, we believe the only viable way to deliver it will be with equity funds.

Large installations are not viable at this time and that is why they are not in place with any significance, nor is it likely with the reduction of the Federal incentives.
At 3-4M a mw to install, the PPA's require cape wind like values from the energy buyer to return any profit levels that would interest commercial lenders to participate.

Please review your consideration of a descending SREC value program and consider our suggestion of the opposite strategy.

Carl Pearson